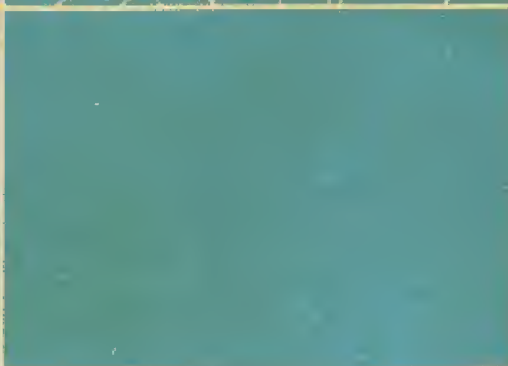
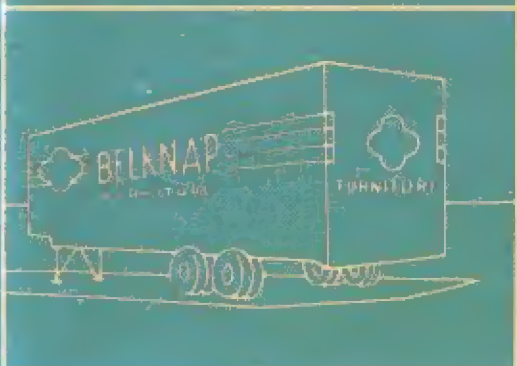
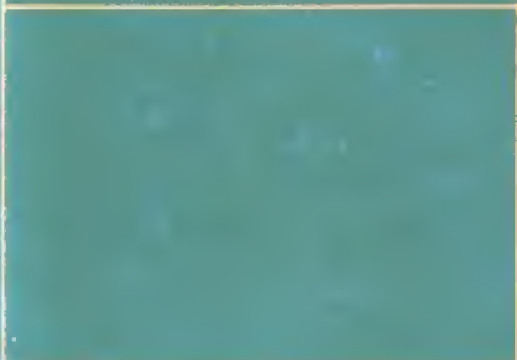


Belknap Annual Report 1974



Financial Highlights

	Year Ended December 31		Percent
	1974	1973	Change
Net sales	\$102,137,712	\$85,217,525	+ 19.9%
Income before taxes	5,319,236	4,142,730	+ 28.4%
Net income	2,624,236	2,070,730	+ 26.7%
Dividends paid:			
Common	1,278,080	1,127,718	+ 13.3%
Preferred	37,291	39,558	- 5.7%
Working capital	20,939,985	20,132,095	+ 4.0%
Current ratio	3.1 to 1	3.3 to 1	

dividends per share	Common		Preferred	
	1974	1973	1974	1973
Quarters ending:				
March 31	\$.40	\$.30	\$.20	\$.20
June 30 .....	.15	.15	.20	.20
September 30 .....	.15	.15	.20	.20
December 31 .....	.15	.15	.20	.20
	<u>\$.85</u>	<u>\$.75</u>	<u>\$.80</u>	<u>\$.80</u>

price range of common stock	1974		1973	
	Bid	Asked	Bid	Asked
Quarters ending:				
March 31	8½-9½	9¾-10¼	9½-10	10⅞-11⅞
June 30	9¾-10¼	10⅞-10%	9½-10	10-10½
September 30	8¾-8⅞	9⅞-10⅞	9¾-10¼	10⅞-10⅞
December 31	8¼-8¾	8½-9½	8⅞-9¾	9¾-10¼

The common stock of Belknap, Inc. is traded over-the-counter.

A copy of the Company's Annual Report, that is required by the Securities and Exchange Commission on Form 10-K, will be sent to stockholders upon written request without charge. Requests should be sent to Belknap, Inc., W. L. Seale, Secretary, P. O. Box 28, Louisville, Kentucky 40201.

President's Letter



The year 1974 has been a very significant one for Belknap, Inc., in many ways; the most meaningful being the continued sales growth and increased earnings. Sales rose 19.9% to \$102,137,712 for the year ended December 31, 1974, as compared to \$85,217,525 for 1973. Net income increased 26.7% to \$2,624,236 for 1974 or \$1.72 per share of common stock, compared to \$2,070,730 or \$1.35 per share for 1973.

On January 24, 1975, the Board of Directors declared a dividend of \$.40 per share on common stock to holders of record as of the close of business February 14, 1975, payable on or before March 3, 1975.

We have continued, during 1974, our program of improved customer service through new equipment and improved facilities. Our entire sales force has been equipped with a Portable Order Entry System known as M.S.I.

The system allows the salesmen to record their orders on cassette tapes which are played back at night to Belknap's computer when the computer dials the salesmen's home phones. Feeding the orders directly into the computer eliminates delay in the writing of orders, offsets slow mail service, and speeds the processing of orders after they are received by Belknap. It allows our sales personnel more flexibility in scheduling their time in that they don't have to write in longhand each order received from their customers.

We added the IBM 3270 Data Display Terminals to our buying departments this past year. These terminals give the buying departments immediate access to inventory information stored in the computer, such as quantity on hand, quantity on order, cost and selling price, and inbound shipments. This enables our buying departments to do a much better job of inventory and cost control. The information available from the Data Display Terminals allow buying departments to schedule deliveries to insure an even work flow through our receiving departments. Data Display Terminals have been an extremely important addition in view of the inflationary pressure during the past year.

In a further effort to help our customers improve their operating efficiency and profitability, we are introducing a system known in the industry as "microfiche". This system will allow the entire Belknap catalog, containing over 5000 pages, to be stored in approximately 18, 4- by 6-inch cards. This will prove to be a valuable selling tool and will keep the dealers abreast of changes in the Market Place, such as product knowledge and current pricing, which will result in better inventory control and a more profitable business for the dealer who uses microfiche.

We are, also, using the microfiche system in the office. This is going to enable us to give better and faster customer service. It will allow us to dispense with the filing of each individual customer invoice since 207 pages of invoices can be stored on one small 4- by 6-inch fiche. All customer invoices and records can be stored in one circular file thus saving time, expense, and manpower; yet providing our customers with improved service.

Our tractor trailer fleet was expanded during 1974 to include furniture trailers. Furniture trailers are specially designed and equipped for the shipping of furniture. The use of these trailers, along with improved warehousing of furniture, will enable us to

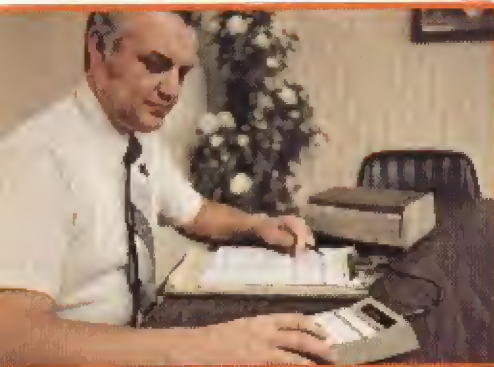
service our furniture customers more quickly and efficiently at less cost. We also expanded our regular fleet to 15 tractors and 34 trailers during the year, adding four new distribution points: Little Rock, Arkansas; Tulsa, Oklahoma; Richmond, Virginia; and Danville, Illinois. Last year our fleet logged 2,543,902 miles.

The past year has seen many improvements in our warehouse facilities.

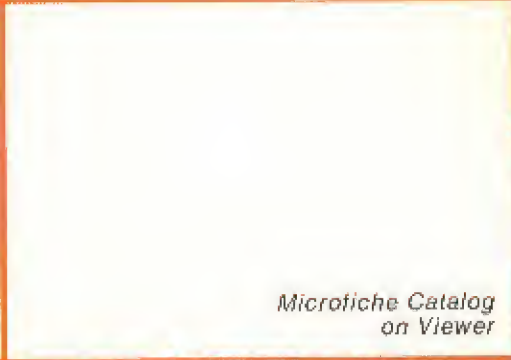
We have redesigned and reworked some of our bin stock departments by lowering the bins to a height which makes it easier for our order clerks to work customer orders. The bins were reduced in depth, thus saving space which was wasted and enabling the order clerks to work more items from a smaller area. Naturally, this results in a more efficient operation along with improved customer delivery.

In conjunction with our lower bins, we have two new electric lift trucks which can carry a load of merchandise and the operator to the tops of the bins. By using the tops of the bins for storage of overstock, we save more valuable floor space.

During the year, we have constructed a new dock and built a new office in Warehouse One. This was made necessary by the moving of our furniture stock to Warehouse One and the addition of furniture trailers to our fleet.



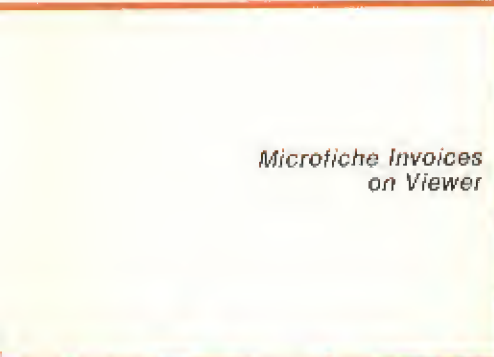
MSI Order Entry



*Microfiche Catalog
on Viewer*



*Inventory
Display Terminal*



*Microfiche Invoices
on Viewer*



*Belknap
Furniture Van*



President's Letter Cont.

The move will enable us to handle complete truck loads of furniture being sent to our customers.

While we were moving furniture, we moved steel goods and other merchandise from Warehouse One to Warehouse Twelve, where we could take full advantage of our suppliers willingness to palletize such merchandise and save us valuable handling time.

We made several other changes which contribute to a smoother and better operation; for example, new pressure-sensitive labels for outbound freight, new packing tables and conveyors in the heavy-bolt department, fenced parking lots for better security, and the Belknap trailer operation moved to a larger area.

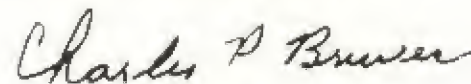
The highlight of our year was our 10th Annual Belknap Dealer Market. Hard work, cooperation, patience, enthusiasm — these are the things that made it the great success it was. Hundreds of specially priced items plus many new lines were offered in the 375 booths on display at the 1974 Market.

Customers from every sales territory occupied over 2000 hotel and motel rooms during the Market. Visitors from Italy, West Germany, and Sweden attended. The enthusiasm and combined efforts of everyone concerned produced a 30 percent increase in volume over the 1973 Market.

Detailed planning is already under way for the 1975 Belknap Dealer Market.

Inflation, the energy crisis, and many other uncertainties promise to make 1975 another year of struggle to meet our objectives. However, with the foundation that we have laid in 1974, I feel certain 1975 will be a good year.

We gratefully acknowledge the support of stockholders, loyalty of customers, and the efforts and abilities of employees. These were very important factors in the success we enjoyed for 1974.



Charles P. Brewer
President

annual meeting

All stockholders are invited to attend the annual meeting of common stockholders of Belknap, Inc., which will be held at 10:00 a.m., local time, Tuesday, March 25, 1975, at the principal office of the company, 111 East Main Street, Louisville, Kentucky.

Warehouse — Before



Will Call Dock

Warehouse — After

*Blue Grass
Hand Tool Display
Belknap Dealer Market*



*Belknap Dealer
Market Entrance*



*Blue Grass
Lawn Mower Display
Belknap Dealer Market*

*Snow Tools Display
Belknap Dealer Market
(far right)*



Belknap, Inc. is engaged in the wholesale distribution of hardware and kindred lines of merchandise and has been so engaged since its founding in 1840. The Company was later incorporated on June 14, 1880.

Merchandise inventory of more than 60,000 items are purchased from more than 3,000 manufacturers for sale to retail hardware stores, lumber yards, variety gift shops, contractors, furniture stores and general stores. All items sold are purchased from suppliers. Approximately 80%

of these sales are made from warehouses located in Louisville, Kentucky. The remaining 20% are shipped from manufacturers directly to customers. No branch warehouses are maintained. There are approximately 900 persons employed in the warehouses and the Company's general office. Sales are made in 26 states by approximately 285 salesmen, responsible to various division sales managers in the Louisville, Kentucky office. A small amount of mail order business is done with customers not located in territories covered by the salesmen.

Officers & Directors

officers and directors

Charles P. Brewer
President

E. W. Hirsbrunner*
Vice President and General Sales Director

D. E. Cross, Jr.
Vice President and Managing Buyer

W. L. Seale*
Vice President, Secretary and Treasurer

C. W. Allen, Jr.
Vice President, Assistant Treasurer and Personnel Director

H. W. Baker
Vice President and Credit Manager

John R. Baker
Vice President and Sales Director, Division 2

Charles C. Bassett
Vice President and Plant Engineer

W. I. McMakin
Vice President and Buyer, Department 2

W. F. Bennett
Vice President and Buyer, Department 4

J. A. Shearer
Assistant Treasurer and Sales Director, Division 1

other directors

John W. Barr, III
Chief Executive Officer and Chairman of the Board, First Kentucky National Corporation, First National Bank of Louisville, and First Kentucky Trust Co.

J. T. Brafford
Buyer, Department 5

J. D. Conn
Sales Director, Division 4

Sherman R. Crosier
Buyer, Department 14

Henry R. Heyburn
Partner in law firm of Brown, Todd & Heyburn of Louisville, Kentucky

William S. Kennedy
Director of Data Processing

Russell Procter
Retired

Darrel D. Rothrock
Sales Director, Division 5

Robert L. Stein
Director of Advertising and Promotions

R. A. Whitty*
Retired

B. G. Wilhoyte
Retired

5 Year Summary Of Operations

(Dollar amounts in thousands, except per share data)

Year Ended December 31

	1974 (A)	1973 (A)	1972	1971	1970
revenue					
Net sales	\$102,138	\$85,218	\$74,465	\$69,614	\$66,981
Interest and other income	315	199	260	195	163
	<u>102,453</u>	<u>85,417</u>	<u>74,725</u>	<u>69,809</u>	<u>67,144</u>
costs and expenses					
Cost of sales	77,529	64,445	55,400	51,002	49,317
Warehousing, selling and administrative	18,880	16,519	15,340	14,511	13,673
Interest	725	310	211	237	350
	<u>97,134</u>	<u>81,274</u>	<u>70,951</u>	<u>65,750</u>	<u>63,340</u>
income before taxes on income	5,319	4,143	3,774	4,059	3,804
Provision for Income Taxes	2,695	2,072	1,854	2,028	1,940
net income	<u>\$ 2,624</u>	<u>\$ 2,071</u>	<u>\$ 1,920</u>	<u>\$ 2,031</u>	<u>\$ 1,864</u>
common shares outstanding	1,503,624	1,503,624	1,503,624	1,503,624	1,503,624
per common share					
Net income	\$ 1.72	\$ 1.35	\$ 1.25	\$ 1.32	\$ 1.21
Dividends .....	.85	.75	.75	.75	.75

(A) For 1973 and 1974 the Company valued its inventories on the last-in, first-out (LIFO) method. Prior years were based on the first-in, first-out (FIFO) method.

management's discussion and analysis of the summary of operations

Significant increases in sales and cost of sales for the years 1973 and 1974 resulted primarily from increased sales efforts and the increases in prices resulting from the inflationary economy that we are experiencing.

Interest and other income decreased by \$62,000 in 1973. This was caused by a reduction in the amount of charges for past due accounts. The increase in 1974 of \$116,000 was due primarily to an increase in the interest rate charged on past due accounts.

Warehousing, selling and administration expenses increased in 1973 and 1974 as a result of continuing inflationary pressures.

Interest expenses have increased in 1973 and 1974 due to higher interest rates and increased borrowing.

The increase in the provision for income taxes is due principally to increases in income.

Balance Sheet

assets

December 31

	1974	1973
current assets		
Cash	\$ 495,059	\$ 546,882
Accounts and notes receivable	15,593,595	14,593,126
Less allowance for doubtful accounts	577,757	534,396
	15,015,838	14,058,730
Refundable federal income taxes	586,056	—
Inventories — at LIFO cost — note a	14,779,318	14,355,921
total current assets	30,876,271	28,961,533
other assets		
Notes receivable due after one year	300,564	213,376
Deferred charges	106,390	67,874
	406,954	281,250
property, plant, and equipment — on the basis of cost — note a		
Land and improvements	752,614	752,614
Buildings and improvements	4,052,251	3,946,336
Leasehold improvements	428,841	428,841
Equipment	1,558,921	1,052,021
	6,792,627	6,179,812
Less allowance for depreciation and amortization	4,753,073	4,492,972
	2,039,554	1,686,840
	\$33,322,779	\$30,929,623

liabilities and stockholders' equity

December 31

	1974	1973
current liabilities		
Notes payable to banks.....	\$ 4,000,000	\$ 2,800,000
Accounts payable and accrued expenses.....	5,861,271	5,964,666
Preferred dividend payable.....	9,098	9,558
Income taxes	65,917	55,214
total current liabilities	9,936,286	8,829,438
stockholders' equity — note b		
Capital stock:		
4% cumulative preferred, par value \$20 per share		
Authorized 100,000 shares		
Outstanding 45,490 shares in 1974.....	909,800	1,000,000
Common stock, no par value		
Authorized 2,500,000 shares		
Outstanding 1,503,624 shares.....	5,012,080	5,012,080
Additional paid-in capital.....	45,283	—
Retained earnings	17,419,330	16,110,465
Less 2,211 preferred shares in		
treasury at cost	—	(22,360)
total stockholders' equity	23,386,493	22,100,185
	\$33,322,779	\$30,929,623

See notes to financial statements.

Statement Of Income

Year Ended December 31

	1974	1973
income:		
Net sales	\$102,137,712	\$85,217,525
Interest and other income	315,192	199,426
	<u>102,452,904</u>	<u>85,416,951</u>
cost and expenses:		
Cost of sales	77,528,631	64,445,038
Warehousing, selling, and administrative expenses	18,880,045	16,519,007
Interest	724,992	310,176
	<u>97,133,668</u>	<u>81,274,221</u>
income before income taxes	5,319,236	4,142,730
income taxes — note a:		
Federal	2,384,000	1,832,000
State	311,000	240,000
	<u>2,695,000</u>	<u>2,072,000</u>
net income	\$ 2,624,236	\$ 2,070,730
Net income per share of common stock based upon average number of shares outstanding (after preferred dividends)	<u>\$1.72</u>	<u>\$1.35</u>
See notes to financial statements.		

Statement Of Retained Earnings

Year Ended December 31

	1974	1973
Balance at beginning of year	\$16,110,465	\$15,207,011
Net income	2,624,236	2,070,730
	<u>18,734,701</u>	<u>17,277,741</u>
Cash dividends declared:		
Preferred — \$.80 per share	37,291	39,558
Common — 1974 — \$.85 per share; 1973 — \$.75 per share	1,278,080	1,127,718
	<u>1,315,371</u>	<u>1,167,276</u>
balance at end of year	<u>\$17,419,330</u>	<u>\$16,110,465</u>

See notes to financial statements.

Statement Of Changes In Financial Position

Year Ended December 31

	1974	1973
working capital was provided from		
Operations:		
Net income	\$ 2,624,236	\$ 2,070,730
Add expenses not requiring outlay of working capital in current year—depreciation and amortization	306,485	172,907
working capital provided from operations	2,930,721	2,243,637
working capital was used for		
Cash dividends	1,315,371	1,167,276
Additions to property, plant, and equipment	659,199	682,789
Increase (decrease) in other assets	125,704	(67,154)
Purchase of treasury shares	22,557	22,360
total working capital used	2,122,831	1,805,271
increase in working capital	\$ 807,890	\$ 438,366
changes in components of working capital		
Increase (decrease) in current assets:		
Cash	\$ (51,823)	\$ (153,713)
Notes and accounts receivable	957,108	1,435,094
Refundable federal income taxes	586,056	—
Inventories	423,397	37,128
net increase in current assets	1,914,738	1,318,509
Increase (decrease) in current liabilities:		
Short-term notes payable	1,200,000	100,000
Accounts payable and accrued expenses	(103,395)	814,720
Dividends payable	(460)	(442)
Income taxes	10,703	(34,135)
net increase in current liabilities	1,106,848	880,143
increase in working capital	\$ 807,890	\$ 438,366

See notes to financial statements.

Notes To Financial Statements

December 31, 1974 and December 31, 1973

note a — accounting policies

Inventories

All of the Company's inventories are valued on the last-in, first-out (LIFO) method.

If the inventories had been valued on the first-in, first-out method, they would have been \$3,165,000 higher at December 31, 1974 and \$567,000 higher at December 31, 1973.

Property, Plant, and Equipment

The Company provides for depreciation and amortization of property, plant, and equipment over their estimated useful lives. Depreciation and amortization is computed on the straight-line method for properties acquired prior to 1954 and principally on the sum-of-the-years-digits method for acquisitions since that date.

Income Taxes

Investment tax credit (1974 - \$37,000, 1973 - \$44,400) is accounted for as a reduction of income tax expense under the flow-through method.

note b — stockholders' equity

During 1974 the 2,211 shares of preferred stock which were in the treasury at the beginning of the year together with 2,299 shares purchased during the year were retired, resulting in a reduction in preferred stock outstanding of \$90,200 and a credit of \$45,283 to additional paid-in capital.

The outstanding preferred stock was issued in series of 5,000 shares each. At the Company's option, the shares may be redeemed at \$21 per share (\$1 over par value), plus accumulated dividends.

note c — lease commitments

Rental expense for 1974 and 1973, principally for equipment, was \$960,000 and \$910,000, respectively. Minimum annual rentals due in future years under lease agreements in effect at December 31, 1974, are not significant.

note d — pension plans

The Company has two pension plans which cover substantially all employees. The amounts charged to expense for 1974 and 1973 were \$470,000 and \$454,000, respectively. The Company's policy is to fund pension costs accrued. At December 31, 1974, past service liabilities, which are being amortized over 30 years, are approximately \$2,775,000. The market value of fund assets exceeds the actuarially computed value of vested benefits.

Accountants' Report

to the stockholders and board of directors

Belknap, Inc.
Louisville, Kentucky

We have examined the balance sheets of Belknap, Inc. as of December 31, 1974 and December 31, 1973, and the related statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Belknap, Inc. at December 31, 1974 and December 31, 1973, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

Louisville, Kentucky
January 24, 1975

Brand Names Of Belknap, Inc.

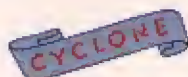
Hand tools, power and hand lawn mowers, farm and garden tools, housewares, paint brushes, bicycles, sporting goods, screen wire and hardware cloth, and many more Blue Grass items.



Wheelbarrows, hedge shears, hand sprayers, ladders, brooms and mops, etc.

BLUE RIBBON

Power lawn mowers, farm and garden tools, carpenter tools, etc.



Belknap paint, sporting goods, wiring devices, electric fans, door closers, locks and padlocks, etc.

Belknap

Galvanized ware, stepladders and house paint.

Spotless Town

Cutlery — including pocket knives, butcher knives and kindred lines.

JOHN PRINBLE

Hand tools, electric power tools, and many other items for the skilled worker and handyman about the house.

CRUSADER

Lawn tools, farm and garden tools.

Mohawk

Tool handles, brooms, dairyware and scales.

OLD Kentucky Home

The above classifications are incomplete. They are intended only to convey a general idea of the varied lines of merchandise on which each specific Belknap brand may be found.

transfer agent

Citizens Fidelity Bank and Trust Company
P. O. Box 1140
Louisville, Kentucky 40201

Belknap, Inc.

111 East Main Street
Louisville, Kentucky 40201

registrar

BELKNAP, INC.
P. O. Box 28
Louisville, Kentucky 40201